

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO JBC Members  
FROM JBC Staff  
DATE March 21, 2018  
SUBJECT Comeback Packet 6

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Included in this packet are staff comeback memos for the following items:

**Education** (Craig Harper): Total Program Recommendation After March Forecast

**Health Care Policy and Financing** (Eric Kurtz): New Request from the Governor

**Higher Education** (Amanda Bickel):

- Summary of Packet 5 Higher Education Options
- Additional Higher Education RFI

**Human Services** (Robin Smart): BA17 Intellectual and Developmental Disorder Youth

**Human Services** (Vance Roper): Early Childhood Councils

**General** (John Ziegler):

- Referendum C
- TABOR Reserve
- Long Bill Headnotes
- Governor Set-Aside Requests

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members  
FROM Craig Harper, JBC Staff (303-866-3481)  
DATE March 20, 2018  
SUBJECT Figure Setting Comeback: Total Program Recommendation After March Forecast

Staff has adjusted the recommendation for the State Share of Districts' Total Program Funding for FY 2018-19 based on the Committee's selection of the March 2018 Office of State Planning and Budgeting Revenue Forecast (OSPB Revenue Forecast). Staff is providing recommendations for FY 2017-18 and FY 2018-19.

### FY 2017-18 ADJUSTMENT

For FY 2017-18, the Department of Education made a late adjustment to the anticipated local share of school finance funding. According to the Department, the local share of funding for FY 2017-18 will be \$503,816 higher than anticipated in H.B. 18-1171.

**Staff recommends attaching a FY 2017-18 "add-on" to the FY 2018-19 Long Bill to reduce the State Share of Districts' Total Program Funding by \$503,816 cash funds from the State Education Fund to account for the additional local revenue.** As shown in the following table, the recommended reduction will maintain total program funding, the budget stabilization factor, and statewide average per pupil funding at the levels targeted in H.B. 18-1171.

FY 2017-18 ADD-ON RECOMMENDATION			
	CURRENT FY 2017-18 APPROP.	RECOMMENDED CHANGE	FINAL FY 2017- 18 STAFF REC.
Funded Pupil Count	865,016.9	0.0	865,016.9
Total Program Before BSF	\$7,450,314,093	\$0	\$7,450,314,093
Budget Stabilization Factor	(822,396,894)	0	(822,396,894)
Total Program After BSF	\$6,627,917,199	\$0	\$6,627,917,199
Statewide Average Per Pupil Funding	\$7,662	\$0	\$7,662
Local Share	\$2,506,844,504	\$503,816	\$2,507,348,320
State Share	\$4,121,072,695	(\$503,816)	\$4,120,568,879
General Fund	3,892,433,539	0	3,892,433,539
State Education Fund	228,639,156	(503,816)	228,135,340
State Public School Fund	0	0	0
State Public School Fund - Marijuana	0	0	0

### FY 2018-19 RECOMMENDATION

As discussed previously, based on current law the staff recommendation for FY 2018-19 maintains the budget stabilization factor at \$822.4 million with no change from FY 2017-18. Staff has built the recommendation on the following assumptions:

- Staff assumes that any change to the budget stabilization factor will take place through separate legislation (such as the school finance bill).
- Based on the OSPB Revenue Forecast and the recommended appropriations for FY 2017-18, staff anticipates the following fund balances at the end of FY 2017-18: \$206.3 million in the State Education Fund and \$95.9 million in the State Public School Fund.
- Staff has targeted the following fund balances at the end of FY 2018-19: \$150.0 million in the State Education Fund and \$50.0 million (excluding marijuana revenues) in the State Public School

Fund. Staff's projections do **not** include the Governor's proposed transfer of \$200.0 million from the General Fund to the State Education Fund in FY 2018-19. Enacting that transfer would further increase the anticipated fund balance.

**Based on those assumptions, staff recommends a total appropriation of \$4,386,861,735 for the State Share of Districts' Total Program Funding line item in FY 2018-19, including the following specific fund sources:**

- **\$3,898,185,534 General Fund** (an increase of \$5.8 million above the FY 2017-18 appropriation).
- **\$392,229,474 cash funds from the State Education Fund** (an increase of \$164.1 million above the recommended FY 2017-18 appropriation).
- **\$96,446,777 cash funds from the State Public School Fund.**

The following table shows the recommended FY 2017-18 and FY 2018-19 appropriations, as well as estimates for FY 2019-20 and FY 2020-21.

FY 2018-19 TOTAL PROGRAM RECOMMENDATION - OSPB MARCH 2018 FORECAST				
	FY 2017-18 STAFF RECOMMENDATION	FY 2018-19 STAFF RECOMMENDATION	FY 2019-20 ESTIMATE	FY 2020-21 ESTIMATE
Funded Pupil Count	865,016.9	870,641.1	872,862.2	874,484.0
Total Program Before BSF	\$7,450,314,093	\$7,751,913,977	\$7,975,603,568	\$8,190,180,722
Budget Stabilization Factor	(822,396,894)	(822,396,894)	(822,396,894)	(822,396,894)
Total Program After BSF	\$6,627,917,199	\$6,929,517,083	\$7,153,206,674	\$7,367,783,828
Statewide Average Per Pupil Funding	\$7,662	\$7,959	\$8,195	\$8,425
Local Share	\$2,507,348,320	\$2,542,655,348	\$2,588,423,144	\$2,686,783,223
State Share	\$4,120,568,879	\$4,386,861,735	\$4,564,783,530	\$4,681,000,605
General Fund	3,892,433,539	3,898,185,534	4,051,769,541	4,270,108,147
State Education Fund	228,135,340	392,229,424	387,802,534	328,619,223
State Public School Fund	0	96,446,777	104,850,761	59,850,761
State Public School Fund - Marijuana	0	0	20,360,694	22,422,474
Total Change in State Share	n/a	\$266,292,856	\$177,921,795	\$116,217,075
<b>Change in General Fund</b>	<b>n/a</b>	<b>5,751,995</b>	<b>153,584,007</b>	<b>218,338,606</b>
State Education Fund Ending Balance	\$206,303,318	\$150,000,000	\$100,000,000	\$100,000,000
SPSF Ending Balance*	\$95,851,682	\$50,000,000	\$5,000,000	\$5,000,000

\*State Public School Fund ending balance excludes marijuana tax revenues.

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee  
FROM Eric Kurtz, JBC Staff (303-866-4952)  
DATE March 21, 2018  
SUBJECT New Request from the Governor for Department of Health Care Policy and Financing  
(Arrived March 20, 2018)

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Attached is a new budget request from the Governor for the Department of Health Care Policy and Financing that arrived on March 20, 2018. The JBC staff has not had time to analyze the request or make a recommendation.

The Governor proposes to implement four new initiatives intended to control Medicaid expenditures:

- Create a resource control unit of six people (5.4 FTE in the first year) dedicated to controlling costs
- Deploy an online resource for the Regional Accountable Entities and providers that identifies the most effective providers and medications to help steer clients to the best health outcomes
- Implement a comprehensive hospital admission review program, including pre-admission certification, continued stay reviews, discharge planning, and retrospective claims reviews
- Purchase commercial technology that would periodically update billing system safeguards that identify and reject inappropriate claims

The new executive director for the Department, Kim Bimestefer, has identified these procedures as industry best practices currently missing from the Department's oversight of the Medicaid program.

The Department projects these initiatives will result in a net savings of \$2.0 million total funds, including \$817,761 General Fund, in FY 2018-19. This is based on implementation costs of \$8.0 million total funds, including \$1.9 million General Fund, offset by projected savings of \$10.0 million total funds, including \$2.7 million General Fund. The projected savings increases in the second year to \$48.5 million total funds, including \$13.3 million General Fund, when all four initiatives are fully implemented.

The best summary of the cost by initiative can be found in Table 2.1 on page 3 of Appendix A of the Department's request.



#### ***Cost and FTE***

- The Department requests a reduction of \$1,999,024 total funds, including a reduction of \$817,761 General Fund and the addition of 6.8 FTE in FY 2018-19 and a reduction of \$39,782,954 total funds, including a reduction of \$11,273,736 General Fund and the addition of 8.0 FTE in FY 2019-20 and future years in order to develop and implement a comprehensive cost control strategy.

#### ***Current Program***

- Colorado's Medicaid program provides health care access to nearly 1.4 million individuals each month.
- The program utilizes a vendor to conduct utilization management activities, and uses Regional Accountable Entities to provide care coordination to Medicaid members.

#### ***Problem or Opportunity***

- The Department of Health Care Policy and Financing lacks a comprehensive claim cost control strategy. In recent years, the Department has focused on access and coverage, which control costs by ensuring care coordination between service providers.
- These efforts, notably including the Accountable Care Collaborative, have helped contain cost growth, but they must be supplemented with resources that allow providers to make cost-conscious decisions – without sacrificing member safety or clinical efficacy.
- As a result of the revised Medicaid forecasts, there is a unique opportunity to make strategic investments in the Department to better focus on comprehensive claim cost control.

#### ***Consequences of Problem***

- The Department must continually reduce inefficiencies and drive claim costs down while better serving its changing Medicaid population and preparing for potential budget threats coming from the federal government or economic downturns.
- The growing senior population is a unique challenge: according to the State Demography Office, the population age 65 and over grew by 40.1% between 2010 and 2017 while the rest of Colorado's population grew by 11.5%. At the same time, this senior population is expected to grow by 57.7% between 2017 and 2030. To prepare for this massive shift in our State's demographic factors, the Department must find ways to do more with less across the board in managing health care cost trends and must implement strategic solutions in collaboration with our delivery system partners and community advocates to get ahead of this curve while managing the needs of members.

#### ***Proposed Solution***

- The requested funding would be used to: create a dedicated unit in the Department devoted to controlling costs; provide tools to Regional Accountable Entities (RAEs) and Primary Care Medical Homes (PCMHs) to encourage decision making related to the cost and quality of available services and prescription drugs; implement a comprehensive utilization review program for hospital admissions; and, purchase commercial software to improve the Department's ability to reject unnecessary or duplicative claims based on best practices



# COLORADO

## Department of Health Care Policy & Financing

FY 2018-19 Funding Request | March 2018

John W. Hickenlooper  
Governor

Kim Bimestefer  
Executive Director

**Department Priority:** BA-16

**Request Detail:** Comprehensive Claim Cost Control

Summary of Incremental Funding Change for FY 2018-19	Total Funds	General Fund
Comprehensive Claim Cost Control	(\$1,999,024)	(\$817,761)

### **Problem or Opportunity:**

The Department of Health Care Policy and Financing lacks a comprehensive claim cost control strategy. In recent years, the Department has focused on access and coverage, which control costs by ensuring care coordination between service providers. These efforts, notably including the Accountable Care Collaborative, have helped contain cost growth, but they must be supplemented with resources that allow providers to make cost-conscious decisions – without sacrificing member safety or clinical efficacy. As a result of the revised Medicaid forecasts, there is a unique opportunity to make strategic investments in the Department to better focus on comprehensive claim cost control.

The Department must continually reduce inefficiencies and drive claim costs down while better serving its changing Medicaid population and preparing for potential budget threats coming from the federal government or economic downturns. The growing senior population is a unique challenge: according to the State Demography Office, the population age 65 and over grew by 40.1% between 2010 and 2017 while the rest of Colorado's population grew by 11.5%. At the same time, this senior population is expected to grow by 57.7% between 2017 and 2030.<sup>1</sup> To prepare for this massive shift in our State's demographic factors, the Department must find ways to do more with less across the board in managing health care cost trends and must implement strategic solutions in collaboration with our delivery system partners and community advocates to get ahead of this curve while managing the needs of members.

In addition to the changing demographics, the Department must place a direct focus on its spending across its most costly services, as there is no path to comprehensive claim cost control without specific attention on these services. Examples include hospital claims, which represent almost 36% of the total Medical spend – almost \$1.4 billion each year in claims payments, and another \$1.3 billion in supplemental payments. Further, the Department is on pace to spend over \$1 billion in gross reimbursement for prescription drugs in FY 2018-19, and the Centers for Medicare and Medicaid Services (CMS) estimated that prescription drug

<sup>1</sup> <https://demography.dola.colorado.gov/population/data/sya-regions/>

spending is projected to grow by approximately 6.7 percent per year through 2026.<sup>2</sup> In total, the Department estimates that it will spend almost \$3.9 billion on Acute Care services in FY 2018-19. And yet, there are critical areas of expenditure where the Department's oversight is not strong enough to properly control costs.

The need for new initiatives to enhance the Department's financial oversight is great. For example, the Department lacks: any dedicated staff that solely focus on comprehensive claim cost control; tools for providers showing the cost or quality of services; a hospital admission review program; or the best technology to ensure that it does not pay unnecessary claims. These types of programs are industry standard, and the State is currently missing a significant opportunity to control costs, unnecessarily diverting limited taxpayer resources away from other State needs.

As outlined in its revised forecast for Medicaid programs, provided to the Joint Budget Committee on February 15, 2018, the Department reduced its General Fund request for FY 2017-18 and FY 2018-19 by \$135.6 million. This presents a unique opportunity to make strategic investments to allow the Department to place a greater focus on controlling costs in a member friendly way. Since the appointment of its new Executive Director, the Department has initiated an inclusive strategic approach to identify efficiency opportunities and the most prudent paths to implement such opportunities. This includes engaging Department staff, advocates, partners, experts, and interested stakeholders for insights and collaborative partnership. In a very short time, these strategic collaborators have identified a multitude of opportunities and work streams to drive both immediate and long-term savings.

#### ***Proposed Solution:***

The Department requests a reduction of \$1,999,024 total funds, including a reduction of \$817,761 General Fund and the addition of 6.8 FTE in FY 2018-19 and a reduction of \$39,782,954 total funds, including a reduction of \$11,273,736 General Fund and the addition of 8.0 FTE in FY 2019-20 and future years in order to implement a comprehensive cost control strategy. The requested funding would be used to: create a dedicated unit in the Department devoted to controlling costs; provide tools to Regional Accountable Entities (RAEs) and Primary Care Medical Homes (PCMHs) to encourage decision making related to the cost and quality of available services and prescription drugs; implement a comprehensive utilization review program for hospital admissions; and, purchase commercial software to improve the Department's ability to reject unnecessary or duplicative claims based on best practices. This investment represents less than one-tenth of one percent of the Department's total General Fund appropriation, and 2.9 percent of the reductions from the Department's revised Medicaid forecasts.

First, the Department is requesting funding to create dedicated internal resources devoted to comprehensive claim cost control. Therefore, the Department requests \$1,162,453 total funds, including \$403,080 General Fund and 5.4 FTE in FY 2018-19, annualizing to \$1,691,998 total funds, including \$586,700 General Fund and 6.0 FTE to create a dedicated unit in the Department to prepare and implement a coordinated roadmap including initiatives to effectively control costs in the form of new policy, strategies, and initiatives for Medicaid and the Child Health Plan *Plus* (CHP+). This coordinated team would identify top opportunities

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<sup>2</sup> Centers for Medicare and Medicaid Services. National Health Expenditure 2017 Projections, Table 11. <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NationalHealthAccountsProjected.html>. Retrieved March 2018.

for savings based on their insights and experience, an analysis of the highest performing Medicaid and commercial best-in-class programs and approaches, industry innovations, emerging technologies, and effective alternative payment structures. This team would collaborate with the Center for Improving Value in Health Care (CIVHC), the Colorado Health Institute, employer associations, innovators, providers, and provider associations to ensure the proper engagement of all stakeholders. The Department's request includes funding for staff and an annual budget for contracted claim cost control experts.

Second, the Department is requesting funding to deploy tools to Regional Accountable Entities (RAEs) and physicians to guide prescribing efficacy, care coordination, and primary care medical home (PCMH) management. The Department requests \$3,000,000 total funds, including \$1,040,250 General Fund in FY 2018-19, and \$1,000,000 total funds, \$346,750 General Fund in FY 2019-20 and ongoing in order to provide usable information to providers to enable them to connect Medicaid members to primary care, specialists, hospitals, and other providers based on the Department's reimbursement cost measures and industry approved quality metrics. The funding would be used to deploy the tools, integrate the tools with the Department's claims data, and teach and train RAEs, physicians, and their staff to use the tools. Ongoing funding would allow the Department to continually enhance these tools in partnership with the provider and RAE communities.

Third, the Department is requesting funding to implement a comprehensive hospital admission review program, including pre-admission certification, continued stay reviews, discharge planning patient coordination, and retrospective claims reviews. The Department requests \$2,188,523 total funds, including \$347,105 General Fund and 1.4 FTE in FY 2018-19, and \$3,301,409 total funds, including \$598,632 General Fund and 2.0 FTE in FY 2019-20 and ongoing in order to expand its utilization management program to include hospital admissions, staff to administer the program, and funding to allow for systems integration.

Fourth, the Department is requesting funding to implement additional technology and resources to enhance its ability to catch and deny overbilling or combinations of claim codes that would otherwise create overpayments. The Department requests \$1,650,000 total funds, \$130,031 General Fund in FY 2018-19 and \$2,700,00 total funds, \$468,112 General Fund in FY 2019-20 and ongoing in order to purchase commercial technology to automatically identify and reject inappropriate billing, and to provide the services of an additional pharmacist to provide rapid turnaround adjustments to the Department's pharmacy claims edits to avoid misutilization.

The Department anticipates that the combination of these initiatives has the potential to drive significant savings in the Medicaid program. The Department requests a reduction of \$10,000,000 total funds, \$2,738,227 General Fund in FY 2018-19 and a reduction of \$48,476,361 total funds, \$13,273,930 General Fund in FY 2019-20 to account for the estimated savings. Because the Department is lacking industry standard tools and methodologies related to claim cost controls, there is a significant opportunity to reduce spending from current levels by implementing these initiatives. The Department anticipates savings to be wide-ranging, including cost reductions to claims spending by better coordinating care, rejecting unnecessary or duplicative claims for services, and providing training and resources to providers to maintain a dedicated focus on cost control.



Without investment now, the next opportunity to receive resources for the necessary activities would be July 2019 – reflecting an entire year of lost influence and impact. The lack of a comprehensive claim cost control strategy means that the State continues to spend its limited resources unnecessarily, diverting funding from other critical needs, such as transportation and education. Without this funding, the Department will continue to lack key elements in implementing comprehensive cost control, to the detriment of State taxpayers.

#### ***Anticipated Outcomes:***

If approved, the resources requested would allow the Department to drive efficiencies in its medical, prescription drug, and hospital programs. This request also includes resources to ensure that the Department has the talent and infrastructure to ensure a collaborative, inclusive, effective long-term approach to controlling costs as a priority going forward, which aligns with the input of all stakeholders to date. These resources would close a critical gap in the Department’s cost-control framework, by creating dedicated staff, tools to leverage cost and quality information, a comprehensive hospital admission review program, and better technology, all focused on controlling costs in a member friendly way.

Dedicated staff would allow the Department to maintain a full-time focus on controlling costs. The Department has focused traditionally on access and coverage, not comprehensive claim cost control strategy. As a result, the Department does not have resources and expertise in place to fully focus on this critical objective. Those Department employees who are currently trying to influence claim costs are doing so as a subset of their primary function. The requested staff would provide leadership and oversight across the Department to ensure a constant focus on claim cost control.

Providing cost and quality tools to RAEs, PCMHs, and other providers would allow our partners to more effectively coordinate care for the highest utilizers, which the Department anticipates would save money, improve patient outcomes, and improve customer satisfaction inside the Medicaid program. While care coordinators already receive data on their members’ utilization, they do not receive any information from the Department on the efficacy of the services being provided, or the cost of those services. Care coordinators typically use cost and quality information in making decisions, and so closing this gap is a tremendous opportunity for savings. These tools would also enable the Department to measure and rank the effectiveness of its primary care physician partners by using both a cost-based performance index and a quality index – identifying the highest performing providers, allowing RAEs to create value by rewarding high performers and encouraging improvement in low performers.

The development of a comprehensive hospital admission review program would verify the appropriateness of care setting, timing and services before the patient is admitted while managing the efficiency of care delivery across the spectrum of inpatient hospital care and ensuring the appropriate hospital billings to reflect services approved and rendered. The program would ensure the proper management of our largest Medicaid spend – hospital services.

The implementation of additional commercial technology would replace the Department’s existing static infrastructure of claims edits, which would drive additional value by ensuring that the system is constantly updated to reflect best practices as defined by the health care community, such as the American Medical

Association and specialty societies. Commercial and other state Medicaid programs are already using these more advanced software products to reduce inefficiencies and generate appropriate savings.

This request links directly to the Department's FY 2017-18 Performance Plan strategies to "Ensure robust management of Medicaid Benefits" and "Implement Cost Containment Initiatives."

### ***Assumptions and Calculations:***

The Department's calculations are shown in the appendix. Where appropriate, the Department's estimates of the available federal financial participation rates are shown in the tables.

### **Resources to Control Costs**

The Department's request for resources to control costs include a total of 6.0 FTE, who will form a new unit in the Department under the leadership of a new senior executive service position. The request includes the following staff:

- A senior executive service position to lead the unit;
- A prescription drug expert who would provide guidance and recommendations for prescription drug and specialty prescription drug cost control strategy. Options for cost control may include additional drug utilization review options, specialty prescription drug value-based payments that ensure clinical effectiveness against manufacturer's promised expectations, rebate and reimbursement industry leading negotiations, recommendations for high prescription drug utilizers as part of care coordination input to the RAEs, and more. This individual would also provide guidance in setting prescription drug policy for the State as part of the overall cost control efforts, including comparing Medicaid cost factors to employers with recommendations for employer efficiencies.
- A program manager who would focus on implementing Medicaid's Alternative Payment Methods in primary care and Value Based Payments (VBP) to providers and prescription drug manufacturers to drive changes in performance, focus and behavior, which if left uninterrupted, will continue to drive dramatic increases in claim costs and trends across the state. This includes VBPs that battle hospital "arms race" which produces excess capacity (such as freestanding emergency departments and hospitals being built within blocks of each other) and VBPs that encourage hospital collaboration with Medicaid which improves quality and reduces costs. This also includes a review of the Department's current and ongoing Accountable Care Collaborative, its impact on utilization, and recommendations for improvement. This position would make recommendations for industry best practices using CIVHC data, maximizing the collaborative power of all payers.
- One value-based payment analyst who would focus on driving quality via new payment methodologies in alignment with the tools being provided as part of this request. Providers who use the tools being provided should see an increase in their payments as a result of improved outcomes and lower costs; however, the payment methodologies in place must properly account for these improvements, and must be frequently updated to measure relative performance between providers, so that the most efficient and effective providers receive the highest payments, and that there is an incentive for providers to continue using the tools and continue improving care.
- One project manager who would assist with: identifying top opportunities for savings; analysis of the highest performing Medicaid and commercial best in class programs; supporting the Executive Director

in reviewing industry innovations and emerging technologies for partnership; assisting in the negotiations and execution of vendor partnerships; and, managing vendor relations where appropriate.

- One analyst who would focus on driving down costs and improving quality and access in rural communities. This includes the evolution of new payment methodologies and other meaningful and unique solutions that would serve to secure these key providers across the State. This position would also support the program manager in general cost control project work, research, and contract implementation. These solutions would be implemented in Medicaid and also provide as best-in-class approaches for industry policy.

The Department is requesting funding to allow for staff to be hired by July 1, 2018. The funding requested is adjusted to account for the pay-date shift for employees funded through the General Fund, and reflects 11 months of salary payments in FY 2018-19. The Department's cost estimates are provided in tables 3.1 and 3.2 in the appendix; savings estimates are provided in tables 7.1 and 7.2.

### **Cost and Quality Tools**

The Department's request includes funding in the first year to purchase and deploy cost and quality tools to providers. The Department would leverage internal work products to provide cost and quality tools for medical services to providers, and purchase similar commercial tools to provide providers with pharmacy cost and quality information. The Department's request also provides ongoing funding to allow for maintenance and enhancement of the tools provided, along with ongoing provider training.

The Department anticipates that the information being provided to providers through these tools would be provided free-of-charge. The Department does not anticipate reimbursing providers directly for using these resources. Instead, these tools would help drive better decision making by providers, which would allow providers to receive higher payments under the Department's value-based payment methodologies being provided as part of phase II of the Accountable Care Collaborative. As such, usage of these tools would be voluntary; however, providers seeking to increase their reimbursement would need to either use the information provided or find other ways to maximize reimbursement under value-based payments.

The Department has already been developing the framework for its medical cost and quality tool, and so the Department estimates that this information can be deployed in the first half of FY 2018-19. Once this information is provided, the Department anticipates that usage of the tool will begin to drive savings by January 2019. Although it is not known precisely how many providers would use the tools, or how quickly providers would adopt the tools, the Department believes that the link to value-based payment will drive significant, rapid adoption that would allow for additional \$10,000,000 total funds savings from the Accountable Care Collaborative in FY 2018-19, growing to \$20,000,000 in FY 2019-20. The Department anticipates that these savings would be in addition to the savings currently budgeted. The Department's cost estimates are provided in tables 4.1 and 4.2 in the appendix; savings estimates are provided in tables 7.1 and 7.2.

### **Comprehensive Hospital Admission Reviews**

The Department's request includes funding to implement a comprehensive hospital admission review program. Based on information provided by the Department's current utilization management vendor, the

Department estimates that the total cost to its vendor would be \$1,575,000 in FY 2018-19, growing to \$3,150,000 by FY 2019-20. The Department's calculation is based on reviewing 105,000 discharges per year, at an average cost of \$30 per review, adjusted for a January 1, 2019 implementation date. The Department's request includes funding for its claims system vendor to integrate the additional utilization management requirements.

The Department's request also includes the following staff:

- A dedicated program manager, overseeing the new UM contract deliverables, quality assurance, and handling day-to-day operations associated with an estimated 105,000 inpatient reviews. This person would also be the lead on outreach and education to providers related to services with new prior authorization requirements, along with leading on coordinating internal resources related to needed system changes and interoperability. This program manager would also manage the vendor against expectations to ensure savings results.
- A dedicated appeals representative, overseeing the process of appeals and representing the Department in proceedings in front of the Office of Administrative Courts. The Department expects that the implementation of a new utilization management framework around hospitals will generate a significant number of new client and provider appeals. This position would ensure appeal requests are processed in a timely manner. The position would also coordinate with the UM vendor to schedule and review their expert testimony and cause for denial. The staff would assemble, prepare, and submit all medical documentation relating to the appeal as well as submit needed requests for dismissals, continuances, and exceptions.

There is no overlap with the resources requested in the Department's November 1, 2017 budget request R-8, "Medicaid Savings Initiatives." While the 2 FTE related to the Hospital Review component have similar scopes to what was requested in R-8 related to utilization management, R-8 utilization management provided prior authorization services for oxygen, vision, adult long-term home health, prosthetics and orthotics, speech therapy, and back and cosmetic surgeries. The FTE requested for this initiative would be strictly focused on inpatient hospital reviews, an area where the Department has no existing resources. Of the positions requested, the program manager would start July 1, 2018, and the appeals representative would start January 1, 2019.

The Department's utilization management vendor estimated that the return on investment from implementing a comprehensive hospital admission review program were on the order of 10:1; in this case, that would represent roughly \$33 million in total savings. The Department is targeting 1% of its estimated FY 2018-19 hospital spend for savings, an estimated \$13,942,204; savings would be expected to begin by July 1, 2019. The Department's cost estimates are provided in tables 5.1 and 5.2 in the appendix; savings estimates are provided in tables 7.1 and 7.2.

### **Additional Technology Reviews**

The Department's request includes funding to purchase, install, and deploy commercial software designed to reduce incorrect billings, and to provide the Department's prescription drug utilization management vendor with resources to frequently update system edits with current information based on existing utilization. The

Department has received pricing estimates from a third-party vendor for installation and licensing; the Department's estimate included funding for its existing claims system vendor to integrate this software and replace the existing claims edits with the commercial product. The Department's request to enhance its pharmacy process is based roughly on the cost of providing a full-time pharmacist.

Material from a vendor promoting the software claim a 28:1 return on investment; however, this appears to reflect an implementation to a health plan that does not have any existing software related to this type of claims processing. The Department's Medicaid Management Information System already has a large number of system edits related to denying inappropriate claims, and because the software is proprietary, the Department cannot easily determine the level on incremental savings. Therefore, the Department is targeting a 1% savings target across its physician services, laboratory and radiology, federally qualified health centers and net pharmacy expenditure. The Department estimates that the requested resources would require approximately a year to be fully deployed. Therefore, the Department's request includes a year of setup costs and system changes, with ongoing licensing costs and savings beginning in July 2019. The Department's cost estimates are provided in tables 6.1 and 6.2 in the appendix; savings estimates are provided in tables 7.1 and 7.2.

***Supplemental, 1331 Supplemental or Budget Amendment Criteria:***

This request is a result of new data resulting in a substantive change in funding needs. Since the beginning of her interim appointment in January 2018, the Department's new Executive Director has been working with stakeholders, providers, and internal staff to identify gaps in the Department's claim cost control programs, and the gaps identified have been significant enough to warrant a budget amendment.

BA-16 Comprehensive Claim Cost Control  
Appendix A

**Table 1.1**  
**Summary by Line Item**  
**FY 2018-19**

Row	Long Bill Location	Line Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Source
A	(1) Executive Director's Office (A) General Administration	Personal Services	\$731,892	\$253,783	\$112,162	\$365,947	6.8	Table 1.3
B	(1) Executive Director's Office (A) General Administration	Operating	\$44,084	\$15,286	\$6,756	\$22,042	0.0	Table 1.3
C	(1) Executive Director's Office (A) General Administration	General Professional Services	\$3,500,000	\$1,213,625	\$536,375	\$1,750,000	0.0	Table 1.3
D	(1) Executive Director's Office (C) Information Technology Contracts and	Medicaid Management Information System Maintenance and Projects	\$2,150,000	\$164,706	\$72,794	\$1,912,500	0.0	Table 1.3
E	(1) Executive Director's Office (E) Utilization and Quality Review Contracts	Professional Services Contracts	\$1,575,000	\$273,066	\$120,684	\$1,181,250	0.0	Table 1.3
F	(2) Medical Services Premiums	Medical and Long-Term Care Services for Medicaid Eligible Individuals	(\$10,000,000)	(\$2,738,227)	(\$507,240)	(\$6,754,533)	0.0	Table 1.3
G	<b>Total</b>		<b>(\$1,999,024)</b>	<b>(\$817,761)</b>	<b>\$341,531</b>	<b>(\$1,522,794)</b>	<b>6.8</b>	

**Table 1.2**  
**Summary by Line Item**  
**FY 2019-20**

Row	Long Bill Location	Line Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Source
A	(1) Executive Director's Office (A) General Administration	Personal Services	\$835,807	\$289,816	\$128,087	\$417,904	8.0	Table 1.4
B	(1) Executive Director's Office (A) General Administration	Operating	\$7,600	\$2,635	\$1,165	\$3,800	0.0	Table 1.4
C	(1) Executive Director's Office (A) General Administration	General Professional Services	\$2,000,000	\$693,500	\$306,500	\$1,000,000	0.0	Table 1.4
D	(1) Executive Director's Office (C) Information Technology Contracts and	Medicaid Management Information System Maintenance and Projects	\$2,700,000	\$468,112	\$206,888	\$2,025,000	0.0	Table 1.4
E	(1) Executive Director's Office (E) Utilization and Quality Review Contracts	Professional Services Contracts	\$3,150,000	\$546,131	\$241,369	\$2,362,500	0.0	Table 1.4
F	(2) Medical Services Premiums	Medical and Long-Term Care Services for Medicaid Eligible Individuals	(\$48,476,361)	(\$13,273,930)	(\$2,458,914)	(\$32,743,517)	0.0	Table 1.4
G	<b>Total</b>		<b>(\$39,782,954)</b>	<b>(\$11,273,736)</b>	<b>(\$1,574,905)</b>	<b>(\$26,934,313)</b>	<b>8.0</b>	

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**Table 1.3**  
**Summary by Line Item & Initiative**  
**FY 2018-19**

Row	Line Item	Initiative	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Source
A	Personal Services	Resources to Control Costs	\$576,469	\$199,890	\$88,344	\$288,235	5.4	Table 3.1.A
B	Personal Services	Hospital Admissions Review	\$94,188	\$32,660	\$14,434	\$47,094	1.4	Table 5.1.A
C	Personal Services	Resources to Control Costs (POTS)	\$52,636	\$18,252	\$8,066	\$26,318	0.0	Table 3.1.B
D	Personal Services	Hospital Admissions Review (POTS)	\$8,600	\$2,982	\$1,318	\$4,300	0.0	Table 5.1.B
E	Operating	Resources to Control Costs	\$33,348	\$11,563	\$5,111	\$16,674	0.0	Table 3.1.C
F	Operating	Hospital Admissions Review	\$10,736	\$3,723	\$1,645	\$5,368	0.0	Table 5.1.C
G	General Professional Services	Resources to Control Costs	\$500,000	\$173,375	\$76,625	\$250,000	0.0	Table 3.1.D
H	General Professional Services	Cost and Quality Tools	\$3,000,000	\$1,040,250	\$459,750	\$1,500,000	0.0	Table 4.1.C
I	Medicaid Management Information System Maintenance and Projects	Hospital Admissions Review	\$500,000	\$34,675	\$15,325	\$450,000	0.0	Table 5.1.D
J	Medicaid Management Information System Maintenance and Projects	Additional Technology Reviews	\$1,650,000	\$130,031	\$57,469	\$1,462,500	0.0	Table 6.1.D
K	Professional Services Contracts	Hospital Admissions Review	\$1,575,000	\$273,066	\$120,684	\$1,181,250	0.0	Table 5.1.E
L	Medical and Long-Term Care Services for Medicaid Eligible Individuals	Various	(\$10,000,000)	(\$2,738,227)	(\$507,240)	(\$6,754,533)	0.0	Table 7.1.E
M	<b>Total</b>		<b>(\$1,999,024)</b>	<b>(\$817,761)</b>	<b>\$341,531</b>	<b>(\$1,522,794)</b>	<b>6.8</b>	

**Table 1.4**  
**Summary by Line Item & Initiative**  
**FY 2019-20**

Row	Line Item	Initiative	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Source
A	Personal Services	Resources to Control Costs	\$628,876	\$218,063	\$96,375	\$314,438	6.0	Table 3.2.A
B	Personal Services	Hospital Admissions Review	\$137,000	\$47,505	\$20,995	\$68,500	2.0	Table 5.2.A
C	Personal Services	Resources to Control Costs (POTS)	\$57,422	\$19,911	\$8,800	\$28,711	0.0	Table 3.2.B
D	Personal Services	Hospital Admissions Review (POTS)	\$12,509	\$4,337	\$1,917	\$6,255	0.0	Table 5.2.B
E	Operating	Resources to Control Costs	\$5,700	\$1,976	\$874	\$2,850	0.0	Table 3.2.C
F	Operating	Hospital Admissions Review	\$1,900	\$659	\$291	\$950	0.0	Table 5.2.C
G	General Professional Services	Resources to Control Costs	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	Table 3.2.D
H	General Professional Services	Cost and Quality Tools	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	Table 4.2.B
I	Medicaid Management Information System Maintenance and Projects	Hospital Admissions Review	\$0	\$0	\$0	\$0	0.0	Table 5.2.D
J	Medicaid Management Information System Maintenance and Projects	Additional Technology Reviews	\$2,700,000	\$468,112	\$206,888	\$2,025,000	0.0	Table 6.2.D
K	Professional Services Contracts	Hospital Admissions Review	\$3,150,000	\$546,131	\$241,369	\$2,362,500	0.0	Table 5.2.E
L	Medical and Long-Term Care Services for Medicaid Eligible Individuals	Various	(\$48,476,361)	(\$13,273,930)	(\$2,458,914)	(\$32,743,517)	0.0	Table 7.2.E
M	<b>Total</b>		<b>(\$39,782,954)</b>	<b>(\$11,273,736)</b>	<b>(\$1,574,905)</b>	<b>(\$26,934,313)</b>	<b>8.0</b>	

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**Table 2.1**  
**Summary by Initiative**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Notes
A	Resources to Control Costs	\$1,162,453	\$403,080	\$178,146	\$581,227	5.4	Table 3.1
B	Cost and Quality Tools	\$3,000,000	\$1,040,250	\$459,750	\$1,500,000	0.0	Table 4.1
C	Hospital Admission Review	\$2,188,523	\$347,105	\$153,406	\$1,688,012	1.4	Table 5.1
D	Technology Reviews	\$1,650,000	\$130,031	\$57,469	\$1,462,500	0.0	Table 6.1
E	<b>Total</b>	<b>\$8,000,976</b>	<b>\$1,920,466</b>	<b>\$848,771</b>	<b>\$5,231,739</b>	<b>6.8</b>	
F	Estimated Savings	(\$10,000,000)	(\$2,738,227)	(\$507,240)	(\$6,754,533)	0.0	Table 7.1
G	<b>Total Request</b>	<b>(\$1,999,024)</b>	<b>(\$817,761)</b>	<b>\$341,531</b>	<b>(\$1,522,794)</b>	<b>6.8</b>	

**Table 2.2**  
**Summary by Initiative**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	Notes
A	Resources to Control Costs	\$1,691,998	\$586,700	\$259,299	\$845,999	6.0	Table 3.2
B	Cost and Quality Tools	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	Table 4.2
C	Hospital Admission Review	\$3,301,409	\$598,632	\$264,572	\$2,438,205	2.0	Table 5.2
D	Technology Reviews	\$2,700,000	\$468,112	\$206,888	\$2,025,000	0.0	Table 6.2
E	<b>Total</b>	<b>\$8,693,407</b>	<b>\$2,000,194</b>	<b>\$884,009</b>	<b>\$5,809,204</b>	<b>8.0</b>	
F	Estimated Savings	(\$48,476,361)	(\$13,273,930)	(\$2,458,914)	(\$32,743,517)	0.0	Table 7.2
G	<b>Total Request</b>	<b>(\$39,782,954)</b>	<b>(\$11,273,736)</b>	<b>(\$1,574,905)</b>	<b>(\$26,934,313)</b>	<b>8.0</b>	



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**Table 3.1**  
**Resources to Control Costs**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Dedicated Staff	\$576,469	\$199,890	\$88,344	\$288,235	5.4	50%	
B	Centrally Appropriated Costs (POTS)	\$52,636	\$18,252	\$8,066	\$26,318	0.0	50%	
C	Operating	\$33,348	\$11,563	\$5,111	\$16,674	0.0	50%	
D	Contracting	\$500,000	\$173,375	\$76,625	\$250,000	0.0	50%	
E	<b>Total</b>	<b>\$1,162,453</b>	<b>\$403,080</b>	<b>\$178,146</b>	<b>\$581,227</b>	<b>5.4</b>		

**Table 3.2**  
**Resources to Control Costs**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Dedicated Staff	\$628,876	\$218,063	\$96,375	\$314,438	6.0	50%	
B	Centrally Appropriated Costs (POTS)	\$57,422	\$19,911	\$8,800	\$28,711	0.0	50%	
C	Operating	\$5,700	\$1,976	\$874	\$2,850	0.0	50%	
D	Contracting	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	50%	
E	<b>Total</b>	<b>\$1,691,998</b>	<b>\$586,700</b>	<b>\$259,299</b>	<b>\$845,999</b>	<b>6.0</b>		

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**Table 4.1**  
**Resources to Provide Cost and Quality Tools**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Implement Medical Cost and Quality Tools	\$2,000,000	\$693,500	\$306,500	\$1,000,000	0.0	50%	
B	Implement Prescription Drug Cost and Quality Tools	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	50%	
C	<b>Total</b>	<b>\$3,000,000</b>	<b>\$1,040,250</b>	<b>\$459,750</b>	<b>\$1,500,000</b>	<b>0.0</b>		

**Table 4.2**  
**Resources to Provide Cost and Quality Tools**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Cost and Quality Tool Maintenance and Enhancement	\$1,000,000	\$346,750	\$153,250	\$500,000	0.0	50%	
B	<b>Total</b>	<b>\$1,000,000</b>	<b>\$346,750</b>	<b>\$153,250</b>	<b>\$500,000</b>	<b>0.0</b>		

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**Table 5.1**  
**Hospital Admission Review Program**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Dedicated Staff	\$94,188	\$32,660	\$14,434	\$47,094	1.4	50%	
B	Centrally Appropriated Costs (POTS)	\$8,600	\$2,982	\$1,318	\$4,300	0.0	50%	
C	Operating	\$10,736	\$3,723	\$1,645	\$5,368	0.0	50%	
D	System Changes	\$500,000	\$34,675	\$15,325	\$450,000	0.0	90%	
E	Hospital Reviews	\$1,575,000	\$273,066	\$120,684	\$1,181,250	0.0	75%	
F	<b>Total Utilization Management</b>	<b>\$2,188,523</b>	<b>\$347,105</b>	<b>\$153,406</b>	<b>\$1,688,012</b>	<b>1.4</b>		

**Table 5.2**  
**Hospital Admission Review Program**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	Dedicated Staff	\$137,000	\$47,505	\$20,995	\$68,500	2.0	50%	
B	Centrally Appropriated Costs (POTS)	\$12,509	\$4,337	\$1,917	\$6,255	0.0	50%	
C	Operating	\$1,900	\$659	\$291	\$950	0.0	50%	
D	System Changes	\$0	\$0	\$0	\$0	0.0	90%	
E	Hospital Reviews	\$3,150,000	\$546,131	\$241,369	\$2,362,500	0.0	75%	
F	<b>Total Utilization Management</b>	<b>\$3,301,409</b>	<b>\$598,632</b>	<b>\$264,572</b>	<b>\$2,438,205</b>	<b>2.0</b>		

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**Table 6.1**  
**Additional Technology Reviews**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	McKesson Implementation and Setup	\$1,000,000	\$69,350	\$30,650	\$900,000	0.0	90%	
B	DXC Implementation and Setup	\$500,000	\$34,675	\$15,325	\$450,000	0.0	90%	
C	Licensing Cost	\$0	\$0	\$0	\$0	0.0	75%	
D	Pharmacy Enhancements	\$150,000	\$26,006	\$11,494	\$112,500	0.0	75%	
E	<b>Total</b>	<b>\$1,650,000</b>	<b>\$130,031</b>	<b>\$57,469</b>	<b>\$1,462,500</b>	<b>0.0</b>		

**Table 6.2**  
**Additional Technology Reviews**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds	FTE	FFP	Notes
A	McKesson Hosting and Licensing	\$2,500,000	\$433,437	\$191,563	\$1,875,000	0.0	75%	
B	DXC Maintenance	\$50,000	\$8,669	\$3,831	\$37,500	0.0	75%	
C	Pharmacy Enhancements	\$150,000	\$26,006	\$11,494	\$112,500	0.0	75%	
D	<b>Total</b>	<b>\$2,700,000</b>	<b>\$468,112</b>	<b>\$206,888</b>	<b>\$2,025,000</b>	<b>0.0</b>		

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**Table 7.1**  
**Savings Estimates**  
**FY 2018-19**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds
A	Accountable Care Collaborative Savings	(\$10,000,000)	(\$2,738,227)	(\$507,240)	(\$6,754,533)
B	Prescription Drug Cost and Quality Tools	\$0	\$0	\$0	\$0
C	Inpatient Hospital Reviews	\$0	\$0	\$0	\$0
D	Additional Technology Reviews	\$0	\$0	\$0	\$0
E	<b>Total</b>	<b>(\$10,000,000)</b>	<b>(\$2,738,227)</b>	<b>(\$507,240)</b>	<b>(\$6,754,533)</b>

**Table 7.2**  
**Savings Estimates**  
**FY 2019-20**

Row	Item	Total Funds	General Fund	Cash Funds	Federal Funds
A	Accountable Care Collaborative Savings	(\$20,000,000)	(\$5,476,455)	(\$1,014,480)	(\$13,509,066)
B	Prescription Drug Cost and Quality Tools	(\$5,336,522)	(\$1,461,261)	(\$270,690)	(\$3,604,571)
C	Inpatient Hospital Reviews	(\$13,942,204)	(\$3,817,692)	(\$707,204)	(\$9,417,307)
D	Additional Technology Reviews	(\$9,197,635)	(\$2,518,522)	(\$466,541)	(\$6,212,573)
E	<b>Total</b>	<b>(\$48,476,361)</b>	<b>(\$13,273,930)</b>	<b>(\$2,458,914)</b>	<b>(\$32,743,517)</b>

OPTIONS FOR ADDITIONAL HIGHER EDUCATION ADJUSTMENTS - (OPTIONS OUTLINED IN MARCH 20, 2018 MEMO)				
HIGHER EDUCATION FUNDING INCREASE OPTIONS	RANGE OF INCREASES (GENERAL FUND)		COMMENT	INCLUDED IN EXEC REQUEST
	WITHIN LONG BILL	SPECIAL BILL		
Additional support for small institutions	\$1,220,000	\$1,500,000	Option to provide \$1.2 million within Long Bill OR \$1.5 million in new legislation. Within the LB, this would provide \$500,000 more each for Adams and Fort Lewis and \$180,000 for Western. (The amount for Western is constrained by the guard rails.) The Committee has already approved a \$500,000 increase for all small 4-year institutions and \$100,000 each for small community colleges within the model. This would be in addition to the previous committee decision.	No
<b>Possible Occupational Education "Package"</b>				
Occupational Education Grant Program (funding for program start-up and expansion)		5,000,000	The Department request proposed \$5.0 million General Fund for an Occupational Credential Capacity Grant Program. The Committee voted not to fund this (at staff's recommendation) based on the need for further input from affected institutions. Based on this input, staff would put the program within the Workforce Development Council and make various other changes. [Related Bill: H.B. 18-1034 Covarrubias, McKean/Priola would add \$10.0 million for capital funding for CTE projects in both K-12 and higher education] <b><i>Note: If the Committee is interested in this option, staff suggests authorizing a bill draft.</i></b>	Yes
Occupational Education Pilot for High Quality Credentials Awarded (funding for ongoing support) OR Additional Long Bill Support for Area Technical Colleges	1,179,000	5,000,000	<p>Institutions indicate that they need additional ongoing support for occupational education programs, and not simply front-end support. One mechanism for addressing this would be a pilot program to award funds based on high quality occupational education credentials awarded. [Related Bill: S.B. 18-133 (Gardner/Duran) would change the existing funding model to increase weight on technical credentials, resulting in \$5.4 million additional funding for community colleges.]</p> <p>If the Committee does not pursue a bill for ongoing support, it could consider an increase for Area Technical Colleges in the Long Bill of up to \$1,179,000.</p>	No

OPTIONS FOR ADDITIONAL HIGHER EDUCATION ADJUSTMENTS - (OPTIONS OUTLINED IN MARCH 20, 2018 MEMO)				
HIGHER EDUCATION FUNDING INCREASE OPTIONS	RANGE OF INCREASES (GENERAL FUND)		COMMENT	INCLUDED IN EXEC REQUEST
	WITHIN LONG BILL	SPECIAL BILL		
		Other Amount???	<p>Other bills could also be included in a "package". For example, staff understands there is a proposal to reauthorize the WORK Act, which provided funding to recruit people for occupational training and apprenticeships.</p> <p>Other initiatives could fit in this category or the category below. For example, Colorado Mesa University has proposed reducing tuition for its CTE classes in return for funding of \$1.6 million. Metro State University has requested close to \$5.0 million in support for a workforce readiness center that would focus on work-based learning and apprenticeships.</p>	No
<b>Other Legislation Related to Special Initiatives/Higher Education Master Plan</b>		Committee Discretion	A group of institutions has proposed \$18.0 million in additional funds allocated based on a formula they have negotiated. Staff recommends that the Committee fund particular projects it considers of interest. Alternatively, it could allocate funds based on Pell enrollment through a bill or bills that tie back to Master Plan goals. The Committee could choose to set-aside funds for one or more bills related to the Higher Education Master Plan.	No
<b>S.B. 18-200 PERA</b>		Uncertain	The Long Bill as approved by the JBC includes assumptions that institutions will not increase tuition by more than 3.0 percent. Depending upon the final form of the bill, some institutions may request additional tuition flexibility or additional General Fund to avoid increasing tuition above this level. Given recent changes to the bill, staff is uncertain whether this will be an issue this year.	No

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee  
FROM Amanda Bickel, JBC Staff (303-866-4960)  
DATE March 21, 2018  
SUBJECT Additional HED RFI

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Staff recommends adding a Request for Information (RFI) in the Department of Higher Education that staff inadvertently omitted from the figure setting packet. The RFI addresses the format of data that the Department submits each year on institutional education and general expenditures and staffing in the “budget data books”. The budget data books assist staff in answering an array of questions that are frequently raised by legislators about higher education expenditures. The budget data books are particularly useful because the governing boards do not operate within the state CORE accounting system and, per statute, receive appropriations in single line items.

The data is submitted in a spreadsheet format, which is functional for looking at the data in any given year but which is cumbersome for looking at the data over time. Staff would thus like the Department to develop a database that could be used for collecting, storing, and reporting out the information in a consistent manner over multiple years. The RFI requests that the Department examine and report on the resources and time that would be required to make this transition.

N Department of Higher Education, Colorado Commission on Higher Education, Administration -- The Department, in collaboration with the institutions, is requested to examine the time and resources required to transition budget data book data collection, reporting, and maintenance from spreadsheet format to a database format. The Department is requested to consider changes that ensure budget data book information is no less comprehensive than the data currently submitted, may be easily accessed and analyzed by JBC staff, the governing boards, and the public, and may be reported out in multiple formats, including in spreadsheet format. As part of this process, the Department should also consider how changes could contribute to efficiencies and reduce duplicate data entry by institutions. This may include an analysis of whether any of the data submitted for the budget data book database could be better aligned and/or transferrable to and from the SURDS database, the financial aid database, and the federal IPEDS database to reduce workload and enhance researchers’ ability to analyze available data. The Department is requested to submit this report by October 1, 2018.



# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Members of the Joint Budget Committee  
FROM Robin J. Smart, JBC Staff (303-866-4955)  
DATE March 21, 2018  
SUBJECT Department of Human Services BA17, Intellectual and Developmental Disorder Youth

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*REQUEST:* The Department of Human Services requests \$2,363,550 total funds, including \$2,346,680 General Fund, and 0.9 FTE in FY 2018-19 to contract with one licensed residential child care facility (RCCF) provider to provide out of home placement services to children with intellectual and developmental disabilities.

*RECOMMENDATION:* Staff recommends that the Committee deny the department's request and instead approve an increase in the amount of the placeholder for the Child Welfare System bill that is currently in drafting (LLS 18-1049). The Committee previously approved a placeholder in the amount of \$4.2 million General Fund for this bill. Staff recommends the following increases:

- A placeholder in the amount of \$2,346,680 General Fund for child welfare services delivered to children with intellectual and development disabilities who are placed in RCCFs; and
- An additional placeholder of \$8.0 million General Fund to begin addressing the impact of the implementation of the new rate setting methodology required by H.B. 17-1292.

### *ANALYSIS*

In the past eighteen months, closures of Residential Child Care Facilities (RCCFs) have resulted in that loss of 458 beds, 100 of which were lost when the Denver Family Crisis Center was closed in 2016. Of that total number of closures, six RCCFs have either closed or announced that they will be closing in 2017. In addition to voluntary closures, in October 2017, the State Department of Human Services closed El Pueblo, eliminating the only RCCF in the state that served adolescents with a dual mental health and IDD diagnosis, and requiring counties to find new placements for these children, often with out of state providers. According to the department, there are eight to ten IDD children/youth with acute behavioral issues that are being served in hospital emergency rooms, in out-of-state facilities, or in unstable placement settings within Colorado. These children/youth are in the custody of county departments of human services, and the placement of these children in an out of state setting costs an average of \$800 a day.

In the 2017 Legislative Session, the Joint Budget Committee (JBC) sponsored H.B. 17-1292 requiring the department to contract with a vendor to perform a salary survey and actuarial analysis of provider rates for child placement agencies (CPAs) and RCCFs. The contracted vendor has been working with stakeholders, including counties and providers, to develop appropriate daily rates for congregate care placements. While the report is scheduled to be submitted to the JBC by April 2, 2018, preliminary information indicates that two rates for CPA and RCCF placements have been established – one for children/youth with IDD and the other for children/youth without IDD. It is anticipated that the report will recommend that daily rates for CPAs be doubled and RCCF placements be increased by 60 percent for children without IDD. For those with IDD, the preliminary daily rate for placements in RCCFs is expected to be approximately \$620.

If the funding request is approved, the department intends to publish a request for proposal (RFP) to contract with a provider to provide RCCF care specific to this population. In order to create interest from a vendor, the department is seeking funding through FY 2020-21. The RFP will be issued for this three-year period. Because this contract will be between the state and the provider, and not between a county and provider (for placement), and placements will be made by a small number of counties, the department requests that funding be appropriated in a new line item and not in the Child Welfare Services line item. This funding will not be allocated through the child welfare allocation formula. The department will establish specific placement criteria and will make beds available for Children's Residential Habilitation Program (CHRP) placements by Community Centered Boards upon the approval of the new CHRP waiver. The Department also requests a 1.0 Social Services FTE to administer this program.

*STAFF CONCERNS*

While the department's request is based on the actuarial analysis required by H.B. 17-1292, it is specific to a small population that is served by RCCFs, and does not address the issue of insufficient rates paid for other children placed in congregate settings. Staff is supportive of the department's request for funding for this target population, however believes that additional funding should be provided to address the early findings of the H.B. 17-1292 for children without IDD who are also placed in congregate settings. In addition, staff is concerned that statute does not include the necessary language that would allow the department to implement this program in the described fashion. The department's request does fit within the scope of the Committee-requested Child Welfare System bill draft, however. Staff recommends that the Committee:

- Deny the department's FY 2018-19 BA17 Intellectual Developmental Disorder Youth budget request;
- Approve the inclusion of specific language related to child welfare services to IDD children/youth, in accordance with the department's request, in the Child Welfare System bill draft (LLS 18-1049);
- Approve an additional placeholder of \$2,346,680 General Fund to implement the provisions of the bill associated with the department's request; and
- Approve an additional placeholder of \$8.0 million General Fund to mitigate a portion of the costs associated with implementing H.B 17-1292.

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee  
FROM Vance Roper, JBC Staff (303-866-3147)  
DATE March 20, 2018  
SUBJECT Early Childhood Councils

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Based on discussion with the Joint Budget Committee, and the intent for additional funding for Early Education Councils. **Staff recommends the Committee add the following footnote.**

Department of Human Services, Office of Early Childhood, Early Childhood Councils – It's the General Assembly's Intent that these funds be allocated to existing Early Childhood Councils.

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members  
FROM John Ziegler, JBC Staff  
DATE March 21, 2018  
SUBJECT Referendum C Recommendation for FY 2018-19 Long Bill

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Staff recommends that the Committee:

1. **Include an increase of \$305.2 million GF and a decrease of \$305.2 million GFE for FY 2016-17.** This recommendation is based on the estimate included in the OSPB March 2018 revenue forecast which anticipates GFE TABOR revenues of \$2,130.0 million. The following Table reflects the adjustments that need to be made to appropriations for FY 2016-17:

Department	GFE Appropriation	GF Appropriation
Health Care Policy and Financing	(\$101,736,607)	\$101,736,607
Education - Preschool Through 12th Grade	(101,736,607)	101,736,607
Higher Education	(101,736,607)	101,736,607
Local Affairs - Retirement for Firefighters and Police Officers	0	0
Transportation Projects	0	0
Total Adjustments	(\$305,209,822)	\$305,209,822

2. **Include a decrease of \$307.1 million GFE and an increase of \$307.1 million GF for FY 2017-18.** This recommendation is based on the estimate included in the OSPB March 2018 revenue forecast which anticipates GFE TABOR revenues of \$2,406.7 million. The following Table reflects the adjustments that need to be made to appropriations for FY 2017-18:

Department	GFE Appropriation	GF Appropriation
Health Care Policy and Financing	(\$102,366,667)	\$102,366,667
Education - Preschool Through 12th Grade	(102,366,667)	102,366,667
Higher Education	(102,366,667)	102,366,667
Local Affairs - Retirement for Firefighters and Police Officers	0	0
Transportation Projects	0	0
Total Adjustments	(\$307,100,000)	\$307,100,000

3. **Include an appropriation of \$2,324.0 million GFE for FY 2018-19.** This recommendation is based on the estimate included in the OSPB March 2018 revenue forecast. The following Table reflects the amount of GFE appropriations that need to be made for FY 2018-19:

<b>Department</b>	<b>GFE Appropriation</b>
Health Care Policy and Financing	\$793,100,000
Education - Preschool Through 12th Grade	793,100,000
Higher Education	733,000,000
Local Affairs - Retirement for Firefighters and Police Officers	4,300,000
Transportation Projects	500,000
<b>Total Adjustments</b>	<b>\$2,324,000,000</b>

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members  
FROM John Ziegler, JBC Staff  
DATE March 21, 2018  
SUBJECT Recommendations on TABOR Reserve

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Attached to this memorandum are recommendations on the funds to be designated as the TABOR reserve.

### RECOMMENDATIONS REGARDING THE TABOR RESERVE

Attachment 1, entitled "JBC Staff Recommendation for TABOR Reserve Designation - FY 2017-18 and FY 2018-19", reflects the staff recommendation on funds to be designated as the TABOR reserve.

*FY 2017-18 TABOR Reserve Discussion:* A TABOR reserve of \$408.8 million is required for FY 2017-18 according to the Office of State Planning and Budgeting (OSPB) March 2018 Revenue Forecast. The current Long Bill (SB 17-254) headnote designation for the FY 2017-18 TABOR reserve includes a total of \$416.8 million, including \$256.5 million (61.5 percent) in liquid assets and \$160.3 million (38.5 percent) in equity assets. The projections in the Legislative Council Staff (LCS) March 2018 forecast would require a \$402.7 million TABOR reserve. Given that the existing headnote designation for FY 2017-18 exceeds the amount required under both revenue forecasts, **staff recommends no change to the FY 2017-18 TABOR reserve designation.**

*FY 2018-19 TABOR Reserve Discussion:* A TABOR reserve of \$422.5 million is required for FY 2018-19 according to the OSPB March 2018 Revenue Forecast. The LCS March 2018 Forecast would require a TABOR reserve of \$430.4 million. Attachment 1 reflects the staff recommendation for the allocation of FY 2018-19 TABOR reserve as follows:

- \$74.0 million of the balance in the Major Medical Insurance Fund,
- \$94.0 million of the balance in the Controlled Maintenance Trust Fund (CMTF),
- \$5.0 million of the balance in the Unclaimed Property Fund Tourism Promotion Trust Fund,
- \$33.0 million of the balance in the Severance Tax Perpetual Base Fund,
- \$33.0 million of the balance in the Colorado Water Conservation Board Construction Fund,
- \$34.0 million of the balance in the Wildlife Cash Fund, and,
- \$160.3 million of State properties to constitute the TABOR reserve.

Staff recommends designating a total of \$433.3 million for FY 2018-19, including 63.0 percent liquid cash funds and 37.0 percent based on equity in State properties for the TABOR reserve. The staff recommendation continues the current practice of using a portion of State properties as part of the TABOR reserve. Staff believes it is prudent to maintain a high percentage of cash as the TABOR reserve, especially given the State's experience with wildfires and floods.

There are currently funds available in the CMTF for the General Assembly to designate \$64.0 million from the CMTF as a part of the FY 2018-19 TABOR reserve. Section 24-75-302.5 (2)(a), C.R.S. permits the principal in the CMTF to constitute all or a portion of the TABOR reserve. The Governor

March 21, 2018

has issued executive orders thus far in FY 2017-18 drawing down \$6.5 million from the CMTF. ***Staff recommends replenishing and increasing the CMTF with a transfer of \$30.0 million additional General Fund to the CMTF to bring the balance to \$94.0 million.***

Currently, the following Six state properties (value totaling \$172,643,825) are designated as part of the TABOR reserve:

- Parking Garage, 1350 Lincoln Street, Denver (value \$11,986,350)
- Legislative Services Building, 200 E. 14th Ave, Denver (value \$17,357,350)
- Centennial Building, 1313 Sherman St., Denver (value \$37,308,975)
- State Services Building, 1525 Sherman St., Denver (value \$44,879,625)
- Human Services Building, 1575 Sherman St., Denver (value \$32,180,900)
- Capital Annex Building, 1375 Sherman St., Denver (value \$28,930,625)

Staff recommends the Committee designate a combination of these State properties with a value of up to \$160.3 million as the State property portion of the TABOR reserve. This retains an additional \$12,371,825 in flexibility within State properties to cover the potential of forecast error.

**JBC Staff Recommendation for TABOR Reserve Designation - FY 2017-18 and FY 2018-19**

<b>OSPB Forecast</b>	<b>FY 2017-18</b>			<b>FY 2018-19</b>		
<b>Fund/Equity Designated to TABOR</b>	<b>Cite</b>	<b>Dollar Amt</b>	<b>%</b>	<b>Staff Recommendation</b>	<b>Dollar Amt</b>	<b>%</b>
Major Medical (Section 8-4-202 (1) (a), C.R.S.)	(a)	83,000,000	19.9%	(a)	74,000,000	17.1%
Controlled Maintenance Trust Fund (Section 24-75-302.5 (2)(a), C.R.S.)	(b)	68,528,000	16.4%	(b)	63,996,000	21.7%
Increase to Controlled Maintenance					<b><i>30,000,000</i></b>	
Unclaimed Property Fund (Section 38-13-116.7 (1). C.R.S.)	(c)	5,000,000	1.2%	(c)	5,000,000	1.2%
Perpetual Base Account of the Severance Tax Fund (Section 39-29-109(2)(a)(II)	(d)	33,000,000	7.9%	(d)	33,000,000	7.6%
CWCB Construction Fund (Section 37-60-112(1)(a)	(e)	33,000,000	7.9%	(e)	33,000,000	7.6%
DOW CF (Liquid Assets) (Section 33-1-112 (1) (a), C.R.S.)	(f)	34,000,000	8.2%	(f)	34,000,000	7.8%
State Buildings (Equity Assets)	(g)	160,272,000	38.5%	(g)	160,272,000	37.0%
<b><i>Increase to State Buildings</i></b>						
Total Available for 3% Reserve		416,800,000	100.0%		433,268,000	100.0%
Required TABOR Reserve Based on OSPB March 2017 Forecast		408,800,000			422,500,000	
Above/(Below) Required TABOR Reserve		8,000,000			10,768,000	

<b>State Buildings Currently Included in Long Bill Draft:</b>	
Parking Garage, 1350 Lincoln Street, Denver	11,986,350
Legislative Services Building, 200 E. 14th Ave, Denver	17,357,350
Centennial Building, 1313 Sherman St, Denver	37,308,975
State Services Building, 1525 Sherman St, Denver	44,879,625
Human Services Building, 1575 Sherman St., Denver	32,180,900
Capitol Annex Building, 1375 Sherman St., Denver	<u>28,930,625</u>
Total	172,643,825
<i>Potential Additional Buildings:</i>	
Total Buildings with Additional	<u>172,643,825</u>
Total Buildings - FY 2017-18	160,272,000
<b><i>Excess in Level of Buildings Designated</i></b>	<b><u>12,371,825</u></b>
Total Buildings - FY 2018-19 Staff Recommendation	160,272,000
<b><i>Excess in Level of Buildings Designated</i></b>	<b><u>12,371,825</u></b>



# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee  
FROM John Ziegler, JBC Staff (303-866-4956)  
DATE March 21, 2018  
SUBJECT Long Bill Headnote Recommendation

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Attached to this memorandum are recommendations on the proposed changes to the FY 2018-19 long bill headnotes. The headnotes are the first several pages of the Long Bill that provide definitions and general provisions of the bill.

### **Recommendations Regarding Changes to the Headnotes**

The following outlines the recommended changes to the headnotes as contained in the Attachment:

- Page 1, line 104, and bill summary at the top of page 2: Updates the fiscal year to which the bill refers.
- Page 2, lines 7-24, and page 3, lines 1-13: Reflects the designation of the TABOR reserve for FY 2018-19 as recommended by staff (staff will update the amounts if necessary based on Committee action).
- Page 3, line 19: Updates the fiscal year for which the Long Bill appropriations are in effect.
- Page 5, line 19; page 6, lines 2 and 8; and page 9, lines 12 and 13: Updates internal references based on current drafting standards.
- Page 8, line 17: Updates the date pertaining to state contracts authorized by appropriation in the act.

**Second Regular Session  
Seventy-first General Assembly  
STATE OF COLORADO**

**DRAFT**

LLS NO. 18-0594.01 John Ziegler x4956

**HOUSE BILL**

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**HOUSE SPONSORSHIP**

**Hamner,**

**SENATE SPONSORSHIP**

**Lambert,**

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**House Committees**

**Senate Committees**

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**A BILL FOR AN ACT**

101      **CONCERNING THE PROVISION FOR PAYMENT OF THE EXPENSES OF THE**  
102                **EXECUTIVE, LEGISLATIVE, AND JUDICIAL DEPARTMENTS OF THE**  
103                **STATE OF COLORADO, AND OF ITS AGENCIES AND INSTITUTIONS,**  
104                **FOR AND DURING THE FISCAL YEAR BEGINNING JULY 1, 2018,**  
105                **EXCEPT AS OTHERWISE NOTED.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

Provides for the payment of expenses of the executive, legislative, and judicial departments of the state of Colorado, and of its agencies and

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
Capital letters or bold & italic numbers indicate new material to be added to existing statute.  
Dashes through the words indicate deletions from existing statute.

institutions, for and during the fiscal year beginning July 1, 2018, except as otherwise noted.

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*Be it enacted by the General Assembly of the State of Colorado:*

**SECTION 1. Definitions - general provisions.** As used in this act, the following definitions and general provisions shall apply:

(1) Section 24-75-112, Colorado Revised Statutes, provides definitions in order to specify the purpose of certain line items of appropriation.

(2) The funds designated to constitute the state emergency reserve for the 2018-19 fiscal year are:

(a) The major medical insurance fund, created in section 8-46-202 (1)(a), Colorado Revised Statutes, up to a maximum of \$83,000,000;

(b) The controlled maintenance trust fund, created in section 24-75-302.5 (2)(a), Colorado Revised Statutes, up to a maximum of \$68,528,000;

(c) The unclaimed property tourism promotion trust fund, created in section 38-13-116.7 (1), Colorado Revised Statutes, up to a maximum of \$5,000,000;

(d) The severance tax perpetual base fund, created in section 39-29-109 (2)(a)(I.5), Colorado Revised Statutes, up to a maximum of \$33,000,000;

(e) The Colorado water conservation board construction fund, created in section 37-60-121 (1)(a), Colorado Revised Statutes, up to a maximum of \$33,000,000;

(f) The wildlife cash fund, created in section 33-1-112 (1)(a), Colorado Revised Statutes, up to a maximum of \$34,000,000; and

- 1 (g) Up to \$160,272,000 of state properties as follows:
- 2 (I) The state parking garage located at 1350 Lincoln Street,  
3 Denver, Colorado 80203, which has a value of \$11,986,350;
- 4 (II) The legislative services building located at 200 E. 14th  
5 Avenue, Denver, Colorado 80203, which has a value of \$17,357,350;
- 6 (III) The centennial building located at 1313 Sherman Street,  
7 Denver, Colorado, 80203, which has a value of \$37,308,975;
- 8 (IV) The state services building located at 1525 Sherman Street,  
9 Denver, Colorado, 80203, which has a value of \$44,879,625;
- 10 (V) The human services building located at 1575 Sherman Street,  
11 Denver, Colorado, 80203, which has a value of \$32,180,900; and
- 12 (VI) The capitol annex building located at 1375 Sherman Street,  
13 Denver, Colorado, 80203, which has a value of \$28,930,625.

14 **SECTION 2. Appropriation.** (1) The sums included in this  
15 section are appropriated out of any money in the general fund, the  
16 indicated cash funds, and reappropriated funds, for the payment of the  
17 ordinary operating costs of the executive, legislative, and judicial  
18 departments of the state, and of its agencies and institutions, for and  
19 during the fiscal year beginning July 1, 2018, and:

20 (a) The figures in the column headed "item & subtotal" are the  
21 amounts made available by appropriation for expenditure within each line  
22 item, except for the figures that appear directly beneath a line, which  
23 figures are subtotals of the preceding line item appropriation amounts.  
24 The figures in the "total" column are the amounts made available by  
25 appropriation for expenditure by the department, division, institution, or  
26 program to which the totals relate.

1 (b) The figures in the "general fund", "general fund exempt",  
2 "cash funds", "reappropriated funds", and "federal funds" columns  
3 indicate the source of funds for the amounts authorized in the expenditure  
4 columns or the source of funds for the figures that are included for  
5 informational purposes only.

6 (c) The figures in the "general fund" and "general fund exempt"  
7 columns indicate the maximum amount that may be expended from the  
8 general fund for the purposes shown.

9 (d) Where the letter "(M)" appears directly to the right of a general  
10 fund or general fund exempt figure, that general fund or general fund  
11 exempt appropriation, when combined with the related general fund or  
12 general fund exempt transfers from the centralized appropriations to the  
13 office of the executive director, is used to support a federally supported  
14 program and is the maximum amount of general fund or general fund  
15 exempt money that may be expended in that program, except where  
16 otherwise provided. In the event that additional federal funds are  
17 available for the program, the combined general fund or general fund  
18 exempt amount noted as "(M)" shall be reduced by the amount of federal  
19 funds earned or received in excess of the figure shown in the "federal  
20 funds" column for that program. In the event that the federal funds earned  
21 or received are less than the amount shown in the "federal funds" column,  
22 the combined general fund or general fund exempt amount noted as "(M)"  
23 shall be reduced proportionately. Where general fund or general fund  
24 exempt support is required as a condition for the acceptance of federal  
25 funds and the state matching requirements are reduced, the combined  
26 general fund or general fund exempt amount noted as "(M)" shall be  
27 reduced proportionately. These provisions shall apply only to the general

1 fund or general fund exempt amount which remains unexpended at the  
2 time of the change in federal requirements or funding. It is intended that  
3 the general fund or general fund exempt amount and the federal funds  
4 amount shall be expended in equally proportioned amounts throughout  
5 the year.

6 (e)(I) The figures in the "cash funds" or "reappropriated funds"  
7 columns, including the figures in any related letter notes, indicate all  
8 non-general fund and non-general fund exempt sources and all nondirect  
9 federal fund sources and may be cash funds established by statute,  
10 nonstatutory cash accounts, tuitions, overhead reimbursements, certain  
11 fees, governmental and nongovernmental "third-party" payments,  
12 payments for services, and interagency transfers. Such figures indicate the  
13 maximum amount that may be expended from cash funds or the specified  
14 cash fund sources for the purposes shown. The amount of each cash funds  
15 or reappropriated funds appropriation is expressly declared to be  
16 nonseverable from the agency, source, and purpose of such appropriation,  
17 and such amount shall not be used for any other agency, source, or  
18 purpose.

19 (II) The provisions of this paragraph (e) shall not apply where this  
20 act specifically provides otherwise or where cash funds are marked with  
21 an "(L)". The "(L)" designation refers to the funds of local governments  
22 or to the funds of service organizations from which the state purchases  
23 services, the amounts of which are not appropriated in this act and the  
24 inclusion of which is informational only.

25 (III) Whenever a state agency receives cash funds or  
26 reappropriated funds from a centralized appropriation made to the office  
27 of the executive director of such agency's department and this act does not

1 set forth such funds as a duplicate appropriation to said receiving agency,  
2 the provisions of this paragraph (e) shall not apply to the receipt of such  
3 funds.

4 (IV) Whenever the controller creates an account solely for the  
5 purpose of establishing the obligation of a state agency to generate cash  
6 funds or reappropriated funds for distribution to another state agency to  
7 which such funds are appropriated by this act, the provisions of this  
8 paragraph (e) shall not apply to the account created or to such  
9 distribution.

10 (f) Where the letter "(H)" appears directly to the right of a cash  
11 funds or reappropriated funds figure, that appropriation, when combined  
12 with the related cash funds or reappropriated funds transfers from the  
13 centralized appropriations to the office of the executive director, is used  
14 to support a federally supported program and is the maximum amount of  
15 cash funds or reappropriated money that may be expended in that  
16 program, except where otherwise provided. In the event that additional  
17 federal funds are available for the program, the combined cash funds or  
18 reappropriated funds amount noted as "(H)" shall be reduced by the  
19 amount of federal funds earned or received in excess of the figure shown  
20 in the "federal funds" column for that program. In the event that the  
21 federal funds earned or received are less than the amount shown in the  
22 "federal funds" column, the combined cash funds or reappropriated funds  
23 amount noted as "(H)" shall be reduced proportionately. Where cash  
24 funds or reappropriated funds support is required as a condition for the  
25 acceptance of federal funds and the state matching requirements are  
26 reduced, the combined cash funds or reappropriated funds amount noted  
27 as "(H)" shall be reduced proportionately. These provisions shall apply

1 only to the cash funds or reappropriated funds amount which remains  
2 unexpended at the time of the change in federal requirements or funding.  
3 It is intended that the cash funds or reappropriated funds amount and the  
4 federal funds amount shall be expended in equally proportioned amounts  
5 throughout the year.

6 (g) Reappropriated funds means money appropriated again  
7 subsequent to an initial appropriation in the same fiscal year. The  
8 designation of money as reappropriated funds has no bearing on whether  
9 the money constitutes a grant from the state of Colorado pursuant to  
10 section 20 (2)(d) of article X of the state constitution.

11 (h)(I) The figures in the "federal funds" column earned or  
12 received under the following federal programs which are subject to a state  
13 match or which are subject to transfer to other block grants shall be limits  
14 on the amount of expenditures of such funds, and such funds shall be  
15 expended in accordance with applicable state and federal statutes,  
16 including all provisions of this act:

17 Title XX Social Services Block Grant

18 Maternal and Child Health Block Grant

19 (II) The figures in the "federal funds" column earned or received  
20 under the following federal programs shall be limits on the amount of  
21 expenditures of such funds, and such funds shall be expended in  
22 accordance with applicable state and federal statutes, including all  
23 provisions of this act:

24 Child Care Development Funds

25 Temporary Assistance for Needy Families Block Grant

26 (III) The figures in the "federal funds" column for all other  
27 programs are anticipated federal funds, and, although these funds are not



1 appropriated in this act, they are noted for the purpose of indicating the  
2 assumption used relative to those funds in developing the basic  
3 appropriations amounts.

4 (i) The general assembly accepts no obligation directly or  
5 indirectly for support or continuation of non-state-funded programs or  
6 grants where no direct or indirect state contribution is required.  
7 Furthermore, the general assembly accepts no obligation for costs  
8 incurred by or claimed against nonappropriated federally funded  
9 programs.

10 (j) No money appropriated by this act shall knowingly be paid to  
11 any organization, business firm, person, agency, or club which places  
12 restrictions on employment or membership based on sex, sexual  
13 orientation, race, age, marital status, creed, color, religion, national origin,  
14 ancestry, or physical handicap.

15 (k) Pursuant to section 24-30-202 (2), Colorado Revised Statutes,  
16 the controller shall examine all state contracts entered into during the  
17 fiscal year commencing July 1, 2018, to determine whether such contracts  
18 are authorized by an appropriation within this act, and, pursuant to section  
19 24-30-202 (3), Colorado Revised Statutes, no agency shall incur  
20 obligations by contract in excess of the amounts appropriated by this act.

21 (l)(I) Where the letter "(I)" appears directly to the right of a figure  
22 or in a letternote referencing a figure, that amount is not an appropriation,  
23 nor does it limit the expenditure of such money. The figure is included for  
24 informational purposes only. It provides a record of funds anticipated to  
25 be expended and, in some instances, may indicate assumptions used  
26 relative to those funds in developing appropriated amounts.

27 (II) The "(I)" notation applies to a general fund, general fund

1 exempt, or cash funds figure when the amount is continuously  
2 appropriated to, or otherwise authorized by law to be spent by, a  
3 department or agency of state government pursuant to a provision of state  
4 statute or the state constitution.

5 (III) The "(I)" notation applies to a reappropriated funds figure  
6 when the amount is continuously appropriated to, or otherwise authorized  
7 by law to be spent by, a department or agency of state government  
8 pursuant to a provision of state statute or the state constitution or, in some  
9 instances, when the underlying federal funds source from which the  
10 amount is reappropriated is subject to the "(I)" notation.

11 (IV) The "(I)" notation applies to all federal funds except when the  
12 federal funds represent a limit on expenditures as specified in paragraph  
13 (h) of this section, when the letter "(M)" or "(H)" appears to the right of  
14 a general fund, cash funds, or reappropriated funds figure in the same line  
15 item, or when the general assembly has the authority to appropriate the  
16 federal funds.

# MEMORANDUM



## JOINT BUDGET COMMITTEE

TO Joint Budget Committee Members  
FROM John Ziegler, JBC Staff (303-866-4956)  
DATE March 21, 2018  
SUBJECT Governor Set-Aside Requests

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The Governor has requested two set-aside items on which the JBC has yet to take action.

1. Statutory Reserve – The Governor has requested that the JBC sponsor legislation to increase the statutory reserve from 6.5 percent to 8.0 percent. This change would require approximately \$162.6 million General Fund. However, it should be noted that this amount could change based on actions taken by the JBC through the remaining figure setting process.

JBC staff does not have a specific recommendation on the level that the statutory reserve should be increased. This is a policy decision to be made by the JBC.

2. Transfer for Transportation – The Governor has requested that the JBC sponsor legislation to transfer \$500.0 million General Fund to transportation for roads.

JBC staff does not have a specific recommendation on the amount of General Fund that the General Assembly should utilize for transportation. This is a policy decision to be made by the JBC.